The National Center for Academic Transformation

Experts in improving learning and reducing cost in higher education.

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Written monthly by Bob Heterick and Carol Twigg, *The Learning MarketSpace* provides leading-edge assessment of and future-oriented thinking about issues and developments concerning the nexus of higher education and information technology.

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MOTHERHOOD AND APPLE PIE

In the last issue of The Learning MarketSpace, we began to examine ways that small colleges can use IT to achieve some of the advantages enjoyed by large institutions. We suggested that by blending face-to-face courses on campus with online courses from external providers, an institution would be able to retain the values of a small college while adding the clout of an institution many times its size.

Once a decision has been made to follow such a strategy, several options present themselves. The solution of choice for most small colleges seems to be collaboration. Indeed, many believe that collaboration is one area where small institutions differ from other higher education institutions in that more complex and robust collaboration may be an imperative rather than an option. They see great possibilities for addressing cost management by developing consortial arrangements among like-minded colleges. Yet while the benefits of inter-institutional collaboration are often noted, the number of small institutions that are actually engaged in continuing academic collaborations is few and the number engaged in large-scale collaborations is non-existent.

The difficulties lie in several areas. Identifying specific courses or programs for collaboration is difficult. Interested institutions must find each other and come to some understanding about the content, the policies, and the delivery mode that will be acceptable to all partners. Faculty must work together on a continuing basis to establish course content, delivery methods, and learning outcomes. Student-support personnel must work collaboratively to ensure that students from all institutions are able to register, pay, and participate and to access needed learning resources such as library materials. Institutions must provide an ongoing commitment so that students can plan to take courses and can fit them into their programs along with other academic requirements. Essentially, at all levels of all partner institutions, everyone must agree that the learning experiences offered by the other participating institutions are acceptable.

One of the few efforts having successfully resolved many of these issues is being conducted by the fifteen institutions that make up the Associated Colleges of the South (ACS). With support from the Andrew W. Mellon Foundation, these institutions have collaboratively developed a Virtual Classics Department to enable students to take courses that the colleges would not be able to offer on their own. The number of small colleges offering a full range of classics courses is small. It is difficult to hire scholars in these areas, and students historically have not enrolled in large numbers. Thus, employing a full range of classics faculty is not cost-effective for a single small college. By creating the Virtual Classics Department, the ACS institutions can offer courses without the need to have full-time faculty in academic areas that are hard to staff and for which the enrollment would be low on any one campus.

Thus far, the Virtual Classics Department has offered upper-level Latin and Greek courses, with up to 30 students enrolled in a section, and an archeology course with 1215 students enrolled each time. Enrollments average about 50 students per year. Students pay tuition to their home institutions. ACS provides faculty-development and technical support. At present, these costs are paid for by the grant. Annual workshops for participating faculty are supported by the institutions. It is not clear how the collaboration will be sustained beyond the grant period.

While there is a great deal of interest in collaboration among small institutions, there are precious few examples of those that are sustained in the absence of grant funds. In addition, many collaboration attempts focus on peripheral subjects, with no real gains in cost reduction, which is a primary point of collaboration for these schools. Why are collaborations so difficult to implement? One reason is that collaborations are frequently attempted among competing institutions. Trust is an important part of establishing a successful collaboration, and it is often difficult to sustain trust among competitors.

Despite the fact that most collaborations begin with “high-minded ideals,” what sustains them is an eye on the bottom line. Rather than being just “a good idea,” the project must be central to the missions of the participating colleges and must meet a strongly felt, specific academic need. Initial investments must be viewed as “venture capital,” with an eye toward eventual sustained support based on a well-thought-out business plan. Issues such as determining faculty load, appropriate compensation, and revenue sharing must be worked out clearly in order to sustain collaboration. Finally, participants must recognize that faculty and administrators often have different reasons for wanting to collaborate; both points of view must be taken into account.

Even though everyone talks about collaboration, an alternative approach being tried by North Central College (NCC) may be both easier to implement and far more cost-effective. Located in Naperville, Illinois, NCC is an independent, liberal arts and sciences college, enrolling slightly over 2,500 students of which approximately 400 are graduate students. NCC wants to differentiate itself from other institutions in its region by bringing greater value to its students. Rather than creating its own online courses or entering into collaborative arrangements with peer institutions, NCC has chosen what appears to be a more radical strategy: importing courses directly from another, quite different institution.

To broaden the range of elective options available at the graduate level, NCC is partnering with Cardean University to offer courses online. Cardean is a wholly owned subsidiary of UNext, an education company dedicated to developing and delivering high-quality, integrated e-learning solutions. Cardean offers courses in leadership and management, e-commerce, marketing, finance, accounting, and business communications.

The academic areas of the partnership between NCC and Cardean are Business Communications (two one-credit courses), Internet Marketing (three one-credit courses), and Internet User Experience (three one-credit courses). Courses are currently staffed by faculty who have appropriate academic credentials, experience in the business world, and training from Cardean for online delivery. Each one-credit course requires approximately twenty-five to thirty hours to complete over a six-week period and costs $500, which students pay directly to Cardean. Students cross-register with Cardean and then transfer the credits to NCC.

NCC entered into this partnership after its faculty had carefully reviewed the courses and established their fit with the programs offered on campus. Students learn about course availability through the NCC faculty and admissions counselors. By importing courses from Cardean, NCC has enlarged the selection of courses available to its students and rounded out the curriculum at the graduate level. In addition, it does not have to invest in the technology required to offer the courses. Cardean, meanwhile, is able to spread the costs of development and delivery over multiple institutions.

While NCC students pay tuition directly to Cardean, a variety of more-productive arrangements are possible. By contracting with an external institution on a fee-for-service basis and folding these courses into the home campus curriculum, institutions can continue to collect tuition. In addition, they can “brand” the imported courses such that the entire process is transparent to students.

Most institutions seem to prefer collaboration to importing, despite the fact that most collaboration attempts fail. Importing, it seems to us, offers a more viable strategy than collaboration for several reasons. First, it’s hard enough to get faculty on one campus to agree on any academic issue. Getting faculty from multiple campuses to agree increases the difficulty exponentially. Second, a partnership between two parties is infinitely easier to implement than one among five or ten or fifteen parties. Third, rather than being involved in an extensive (and expensive) developmental project, faculty from the home campus simply have to approve the content and quality of the new offerings. Fourth, importing courses or programs in academic areas that you don’t offer is far easier than collaboratively creating courses and programs in areas that you do offer. Fifth, selecting a partner from the private sector, the non-traditional sector or the large-university sector may be much easier to do than selecting a partner from among direct competitors. And finally, long-range academic planning, both in terms of guaranteed student access and faculty staffing, can be done more reliably by depending on a well-established provider than on a fragile consortial arrangement.

Once an institution has redefined its notion of community--moving from a relatively narrow, placebound, face-to-face definition to one that embraces a wider view of what makes a community--it must then do a sober cost/benefit analysis to determine the most effective ways to implement the idea. Collaboration is higher education’s motherhood and apple pie. When it comes to adding breadth to the small-college curriculum, however, collaboration leaves a lot to be desired, especially when other arrangements are now possible.

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Bob is taking a break from The Learning MarketSpace for a few months to complete a book. In his place this month, we are pleased to publish a guest column by Daniel A. Rabuzzi, Vice President for Economic Initiatives, Kentucky Council on Postsecondary Education, and Chief Executive Officer, Kentucky Virtual University. Daniel’s column was provoked by one of Bob’s, and it is provocative--in the best sense of that word--in its own right.

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MA NUDE DESCENDS A STAIRCASE: BRINGING THE MARKET TO UNIVERSITIES

Market approaches to education are subversive and playful. Entrepreneurs are storytellers and bricoleurs, markets have a dadaist beat. Were they here today, Tristan Tzara and Andre Breton would be dot-com creators, and the Bauhaus would buy them out. In that spirit of serious fun, let’s explore for-profit possibilities within postsecondary education.

Universities and colleges should consider converting to for-profit status. Conversion would create clearly identified owners, closer alignment of owners and managers, and improved focus on quality and mission. Moving from a loosely defined stakeholder model to a sharply delineated shareholder model would benefit a university’s constituencies because the university could better define and perform its primary mission. Students would be immediate and lasting beneficiaries as universities shifted from fixation on producer and product to a focus on the consumer. Postsecondary education claims that it wants to make this shift, hence all the talk about the “new student-centered paradigm,” but I do not think universities can fully do so unless they change their ownership structures.

“Who owns the university?” is a controversial question with no clear answer given existing university organization. I am less concerned here with specific owners than in a legal structure that would allow clear, incontestable ownership rights. Faculty understand the importance of ownership: a course or curriculum tends to founder if not owned by a department or school, and “owned” is the word faculty themselves use. The question is not whether ownership rights matter but how they should be defined, assigned, and protected, and how responsibilities would be linked to the rights.

Faculty members are famously wary of market alternatives within education. Yet they are ideally suited for market incentives since they are the quintessential knowledge workers. Shares and share options are now routinely used to attract and retain leading creators in many fields. Why should capable faculty miss out? Faculty fear that the for-profit world means a lack of collegiality and the imposition of hierarchy, but their fears are misplaced. The collegiality of the seminar room is matched by the esprit de corps of market-driven teams. The “sympathy,” the “fellow-feeling” that Adam Smith advocated is as evident in business as it is in academe. As for hierarchy, faculty are familiar with steep and ornate gradations within their own ranks. Meanwhile, corporate hierarchies have been flattened.

Others will raise fears about conversion’s impact on the core mission of the university and on academic freedom. These are fundamental concerns, not to be dismissed. (Shrewd investors will not want to kill the goose- they will want to help it fly.) State governments would have to continue meeting the social goal of affordable access for state residents even when converted state universities had to charge market-rate tuition. The state could invest some or all of its share of the university sale proceeds in a trust fund. The income could subsidize in-state students attending the privatized university. The state also could redirect into student grant and loan financing some or all of the tax revenue no longer appropriated to that university. It is possible that the subsidy to students would be greater after university conversion. The state might have buy-back rights, a call option exercisable for a specified period, if it deemed that affordability and access were in jeopardy.

Social mission is not necessarily compromised by a for-profit orientation, nor for that matter is it necessarily fostered by a not-for-profit approach. Academic freedom might even be strengthened in the marketplace. Indeed, it might be extended to all employees and not reserved for tenured professors. Companies like Patagonia, Inc. and Tom’s of Maine pursue profits and social agendas. Public and union pension funds, as well as socially responsible mutual funds, are forcing changes in corporate governance and shareholder rights. The initial success of for-profit and private universities in Germany, Turkey, and Singapore may point the way, not to mention the positive performance of for-profit universities in the U.S.A. European cooperatives, treasured offspring of the labor movement, behave in many cases like publicly traded corporations. For example, Dutch, Danish, and Spanish cooperatives sometimes float stock, merge and acquire aggressively, and invest in firms on other continents. Somewhat similar is the demutualization process transforming thrift banks and mutual insurance companies in the U.S., Canada, Australia and the U.K.

Universities and colleges should offer ownership to all university employees, whether through a closely held corporation funded by a private placement or an Employee Stock Ownership Plan (ESOP), a publicly held corporation funded by public offerings, or a holding company acting as general partner in a series of faculty partnerships. The conversion structure would depend on many factors, ranging from regulatory and tax law to market appetite for the new company. The university could grant profit-sharing rights, pre-IPO shares, or options at favorable rates. The most favorable rates would be given to faculty willing to relinquish tenure; tenured faculty could cash out the net present value of their job protection with the private placement or IPO proceeds (their agreement with the university could include a provision that they regain tenured status if the private placement or IPO failed). The university might approach TIAA-CREF or state and union pension funds to see if employees could borrow at discounted rates to purchase the shares, with the loans collateralized by a combination of the shares and employee holdings in the 403(b)s and pension plans.

When granting profit-sharing, shares or options for insiders, universities would have to take into account dilution concerns by potential outside investors. Depending on how many outsider investors it hopes to draw, the university might also consider discounted shares or stock options for other traditional constituencies, for example, alumni, sports fans, or students. In the case of public universities, state government might need to subsidize investment indirectly for an initial period by granting tax credits to buyers of university shares, or subsidize directly by reducing a converted university’s cost of debt for a limited period through guarantees or discounted interest rates. However, the controversy over the federal government’s relationship to Fannie Mae and Freddie Mac argues against government subsidies as anything more than a means to start a market.

We are deep into details now: the main point is that universities and colleges should create an equity culture and re-cast their structures to fit the needs of their students and their wider communities. Marcel Duchamp challenged us to re-think long-standing definitions, to shatter the status quo with fresh approaches, and to have fun doing so. Think of universities as giant skunkworks, outsized garages bursting with innovative talent. Let’s break open the doors and bring in the market.

--DAR

The author is solely responsible for the content; the ideas expressed here do not necessarily represent those of the Kentucky Council on Postsecondary Education or the Kentucky Virtual University.

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UPCOMING LEADERSHIP FORUM EVENTS

IMPROVING QUALITY AND REDUCING COSTS: REDESIGNING CAMPUS LEARNING ENVIRONMENTS
EDUCAUSE Full-Day Pre-Conference Seminar
October 1, 2002, Atlanta, Georgia
8:30 a.m. - 4:30 p.m.

The Pew Grant Program in Course Redesign has funded 30 institutions to show how to improve quality and reduce costs using technology. This seminar will replicate the workshops that have successfully taught grant applicants how to redesign large-enrollment, introductory courses. Through presentations, case studies, and group work, participants will learn the basic planning steps as well as how to adapt the redesign model to the needs of their institutions.

Conducted by:
--Carol A. Twigg, Executive Director
--Carolyn Jarmon, Associate Director
Center for Academic Transformation

STATE-OF-THE-ART LEARNING ENVIRONMENTS: LESSONS FROM THE PEW GRANT PROGRAM IN COURSE REDESIGN
December 6, 2002, Atlanta, Georgia
Co-sponsored by the Executive Forum in Information Technology at Virginia Tech

This seminar will present results from the third of three rounds of the Pew Grant Program in Course Redesign. Learn from faculty project leaders how to increase quality and reduce costs using information technology. Faculty from four institutions will talk about their models of course redesign, including their decisions regarding student learning objectives, course content, learning resources, course staffing and task analysis, and student and project evaluation. These models provide varied approaches that demonstrate multiple routes to success, tailored to the needs and context of each institution.

These seminars provide a unique opportunity for you to:

- Learn firsthand how to increase quality and reduce costs using information technology from successful faculty project leaders.
- Find out how to design learning environments for the future by tapping the expertise of those who have done it.
- Talk with experienced faculty from multiple institutions about how and why they made their redesign decisions.
- Move beyond "today" and learn where on-line learning is going . . . find a model that will work for your institution.

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